

## Growth Normalization Priced In; Medium-Term Upside Drives Upgrade to “Overweight”

Elm reported a net income of SAR 2,090mn during FY25, reflecting a growth of 14.4% Y/Y, despite pressures from higher operating expenses, margin normalization, and increased finance costs post Thiqah acquisition, while revenues grew strongly to SAR 13.7bn (up 27.8% Y/Y) primarily driven by the consolidation of Thiqah, with standalone revenue growth moderating to 13.1% following a strong multi-year expansion. During the year, gross margins declined by 200bps amid a shift in revenue mix and restatement-related impacts, while finance costs increased to SAR 106mn due to new borrowings of SAR 1.9bn undertaken to fund the acquisition. Consequently, Elm’s balance sheet transitioned from a net cash position to a leveraged one (D/E: 0.5x), though liquidity remains strong with cash and Murabaha balances at SAR 4.1bn, with deleveraging expected to commence from 2026. We expect Elm to deliver revenue and earnings CAGRs of 13% / 15% over FY25-30E, supported by continued scaling of newer products, integration & scaling of Thiqah’s operations and gradual contribution from emerging verticals, and accordingly upgrade our stance to “Overweight” with a revised TP of SAR 717.5 per share, as we believe current valuations do not fully capture Elm’s medium-term growth potential, particularly from its existing offerings, new revenue streams and integration synergies. The stock is currently trading at a trailing P/E of 22.5x, broadly in line with the Tadawul All Share Index (Excluding Aramco) P/E of 21.4x, which we view as unjustified given Elm’s positioning as a technology-driven platform with scalable digital solutions, high-margin service mix, and strong visibility on recurring revenues—characteristics that typically warrant a premium to the broader market.

**Acquisition of Thiqah contributes to half of company’s topline growth in FY25 while Elm’s standalone revenue growth decelerates:** Elm delivered a robust c.27.8% Y/Y revenue growth in FY25, with around half of the increase (~13ppts) attributable to the consolidation of Thiqah post its Apr-25 acquisition (Revenue: SAR 1,088mn). Encouragingly, this still implies a healthy standalone revenue growth of 13% Y/Y, reflecting continued strength in the core business, albeit normalizing after an exceptional FY20-24 CAGR of ~31%. However, this solid topline growth failed to translate into bottom line, which grew by 14.4% to SAR 2,090mn owing to higher operating expenses and finance costs post Thiqah acquisition along with the gross margins contraction. Despite posting healthy double-digit expansion in topline, reported growth came in below the company’s 33-35% guidance range owing to underperformance of Thiqah, and lower contribution from Nusuk & Fasah products during the year. To recall during FY25, the Kingdom received 1.67mn Hajj pilgrims as compared to 1.83mn last year, reflecting a c.10% decline. Along with this, Fasah’s transaction volumes were also down during the year which led to the lower contribution from this product as well. During 2025, Elm’s gross margins also declined by c.200 bps to 38.9% primarily driven by the restatement of Thiqah’s comparative figures for FY24 and prior years along with the overall change in Elm’s revenue mix. The restatement in Thiqah’s comparative figures were led by the correction in capitalized assets, amortization and revenues which has contributed in SAR 311mn reduction in Thiqah’s net assets acquired. During FY25, Business Process Outsourcing segment contribution in revenues increased to 27% as compared to 24% last year. Similarly, margins accretive digital business contribution in the revenue decreased to 71.0% from 73.8% last year, post Thiqah acquisition. Noteworthy to mention that out of SAR 1,088mn Thiqah’s revenue booked by Elm, c.46% comes from the Digital Business segment whereas the remaining from the BPO segment. Lastly, during FY25 finance cost also surged to SAR 106mn from SAR 28mn cost last year owing to new borrowing of SAR 1.9bn to fund Thiqah’s acquisition.

**Recommendation** **Overweight**

**Target Price (SAR)** **717.5**

**Upside / (Downside)\*** **21.5%**

Source: Tadawul \*prices as of 4<sup>th</sup> of May 2026

### Key Financials

SARmn (unless specified)	FY24	FY25	FY26E	FY27E
Revenues	7,407	9,465	11,049	12,672
Growth %	25.6%	27.8%	16.7%	14.7%
Gross Profit	3,026	3,678	4,379	5,056
Net Income	1,827	2,090	2,347	2,858
Growth %	34.7%	14.4%	12.3%	21.8%
EPS	22.84	26.13	29.33	35.73
DPS	7.5	9.0	13.3	16.0

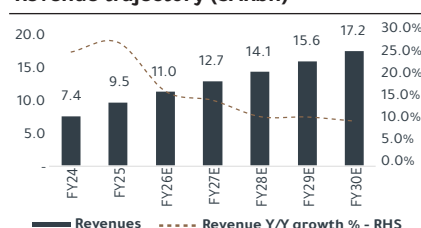
Source: Company reports, Aljazira Capital Research

### Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	40.9%	38.9%	39.6%	39.9%
Net Margin	24.7%	22.1%	21.2%	22.6%
ROE	34.5%	57.7%	47.8%	44.1%
ROA	19.1%	17.6%	17.7%	18.9%
P/E	48.8	28.6	20.1	16.5
P/B	16.9	16.5	9.6	7.3
EV/EBITDA (x)	45.8	26.3	17.2	14.3
Dividend Yield	0.7%	1.2%	2.3%	2.7%

Source: Company reports, Aljazira Capita Research

### Revenue trajectory (SARbn)



Source: Tadawul, Aljazira Capital Research

### Key Market Data

Market Cap(bn)	47.2
YTD%	-21.1%
52 week (High)/(Low)	1,090/504.5
Share Outstanding (mn)	80.0

Source: Company reports, Aljazira Capital Research

### Price Performance



Source: tadawul, Aljazira Capital Research

### Senior Equity Analyst

Abdullah Umer

+966 54 796 3867

a.umer@aljazaracapital.com.sa

**Growth normalization amid product maturity; integration to shape medium-term upside with FY25-30E revenue CAGR of 13%:** Following last year's weaker-than-expected topline growth versus management's 33-38% guidance, we expect Elm to deliver at the lower end of management's guided growth range of 17-19%, with c.16.7% growth in 2026. Of this projected growth, we estimate c.4% of this growth will be driven by Thiqah's full-year consolidation (i.e., acquisition date April 21st, 2025) alongside a modest underlying revenue uplift. Considering the ongoing integration process through the creation of 3 focused divisions within Elm, we don't foresee any decent growth in Thiqah's revenues in 2026. On the other hand, the remaining growth of 12-13% can be achieved through Elm's core products suite, rollout of new services/products in 2026 and continued scaling of services/products launched in 2025.

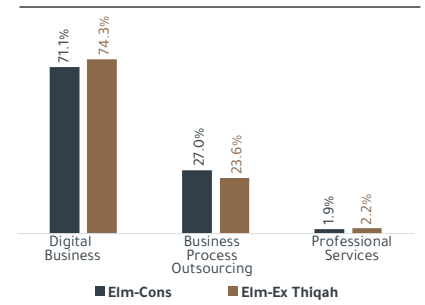
We remain cautiously positive about Elm's growth prospects given increasingly mature products portfolio & lower Govt's spending for ICT services. For context, Elm's top 6 products revenue growth were recorded at 11.6% in FY25 as compared to FY24 growth of 28.3% which clearly reflects the deaccelerating trend in its matured products portfolio growth. With more than 32 million users, company's flagship product; Absher penetration has now increased to 88% from last year's penetration level of 83%. Along with this, the limited growth from transaction volumes going forward along with the no of value added services would also be limited as reflected in the number of 20 new services planned for 2026 as compared to 66 new services added in 2025. Along with this, we also expect pressure in Nusuk would continue in 1Q-26 due to a significant decline in the international Umrah performers were noted during the last 10 days of holy month of Ramadan amid the backdrop of geopolitical tensions and flights disruptions. Although, the same set of risks persists for Hajj season. However, due to temporary ceasefire in place between Iran and USA, we expect this year's Hajj volumes to show some modest recovery. Along with this, company's introduction of new value added service of Zamzam water delivery to both Saudi citizens and residents' homes during Oct-25 would also aid Nusuk revenues in 2026. Similarly, we also expect drop in transactions on Fasah's platform during 1Q-26 owing to major disruptions in seaborne trade through the strait of Hormuz.

For remaining 3 products, we remain more positive as growth triggers still show promising trends. For instance, car rental industry (Major beneficiary of Tamm product) continue to grow in double digits in terms of total leased vehicles fleet (FY20-24~ CAGR c.13.8%). Similarly, for Muqem product, number of Non Saudi labor force registered with GOSI shows an impressive CAGR of 13.9% in the last 5 years. Along with this, company's other products portfolio continue to grow with new products developments and services. During FY25, contribution from other products portfolio in Elm's revenues recorded at SAR 1.2bn after registering 16% Y/Y growth. We expect other products' revenues to continue to post higher double digit growth in the upcoming years. In the BPO segment, we expect growth to remain impacted due to overall slowdown in Govt's ICT spending and competitive pricing of Govt tenders after the implementation of Etimad platform.

Based on these, we expect Elm's to post SAR 11,049mn topline in 2026 which would translate into Net profitability of SAR 2,347mn (EPS: 29.3). In terms of operating margins, we expect some modest improvement to 21.9% in 2026 vs last year margins of 21.4% as cost synergies with Thiqah would start to reflect more materially from 2027 onwards.

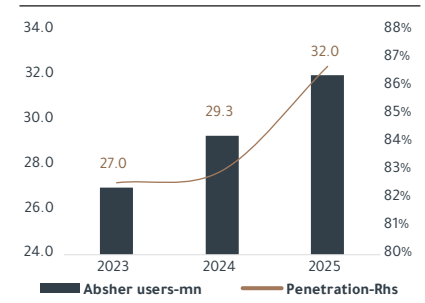
**Balance sheet remains robust post-acquisition, with deleveraging set to commence from 2026; dividend profile to strengthen on improving cash generation:** Elm's financial position remains healthy despite the balance sheet expansion following the SAR 3.4bn Thiqah acquisition, which was partly funded through SAR 1.9bn in debt. Notably, cash balances and Murabaha deposits have rebounded to SAR 4.14bn, reflecting strong underlying cash generation and providing sufficient liquidity headroom. With debt repayments scheduled to begin from April 2026, we expect gradual deleveraging to take place, while in the longer run, Elm is likely to maintain a prudent debt-to-assets ratio of c.15% to support future acquisition opportunities across verticals. On the cost side, finance charges are expected to rise to SAR 126mn in 2026, reflecting a full-year impact of the loan (secured in 2Q-25), compared to partial-year recognition earlier. However, this remains manageable given Elm's earnings profile and improving operating cash flows. As a result, we expect the company's payout ratio to increase to ~45% in 2026 versus 34.4% last year, supported by stronger cash generation and a more stable earnings base. This strengthening in operating cash flows is expected to translate into free cash flow growth of 13.8% over FY25-30E, underpinned by a higher operating cash flow to net income conversion ratio (FY26-30e avg:111% vs Last 5YR: 124%). Overall, while the balance sheet has structurally evolved post-acquisition, Elm retains ample financial flexibility to fund growth while enhancing shareholder returns.

**FY25 Revenue Mix**



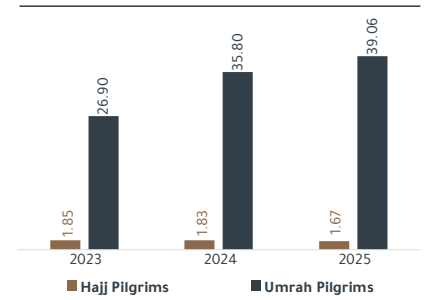
Source: Company reports, Aljazeera Capital Research

**Absher users & Penetration %**



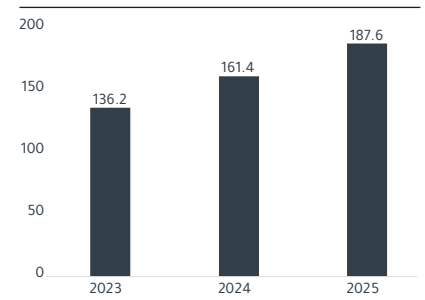
Source: Company reports, Aljazeera Capital Research

**Pilgrims (In mn)**



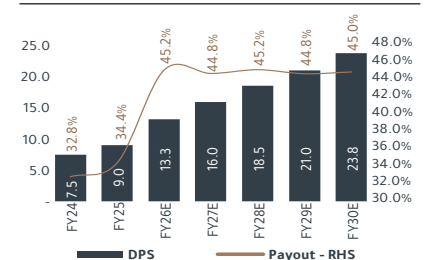
Source: Company, Aljazeera Capital Research

**Leased vehicles (000s)**



Source: Company, Aljazeera Capital Research

**DPS & Payout**



Source: Company, Aljazeera Capital Research

**Tourism sector could be Elm's next breakthrough products:** Elm is uniquely positioned to become the digital backbone of Saudi Arabia's rapidly expanding tourism ecosystem – a sector who's experienced a 9.1x growth in inbound tourism spending from FY20-24 to SAR 153.6bn. Elm's January 2026 white paper "Building a Digitally Enabled Cultural Future in Saudi Arabia" signals clear strategic intent, identifying high-value applications including AI-powered visitor analytics across Saudi Arabia's UNESCO World Heritage Sites and pipeline cultural destinations such as AlUla, Diriyah, and the Red Sea Project, smart IoT preservation monitoring for heritage infrastructure, dynamic pricing and predictive demand systems for cultural venues, digital twin platforms enabling virtual tourism for the global Muslim population unable to travel physically, and a cultural export e-commerce infrastructure platform. Some of these technologies are already in the early deployment stage by international companies such as EarthRanger (USA) in AlUla to support eco-tourism. On the other hand, ARTGlass project with BED Studios to showcase Augmented Reality tour of the ancient Nabataean city of Hegra, further reflects growing interests from the Govt to implement these technologies. Despite at conceptual stage, some of the low hanging fruits in the tourism sector remains very promising especially in the fields of predictive analytics and Smart IoT heritage monitoring.

**AJC view and valuation:** Following a strong but acquisition-led performance, we expect growth to normalize in the near term, reflecting a maturing core product portfolio, softer government ICT spending, and limited immediate contribution from Thiqah amid ongoing integration. Core platforms continue to show moderation in transaction-led growth, with flagship products nearing saturation levels, constraining incremental upside from existing services. That said, we see a more constructive medium-term outlook driven by continued scaling of newer offerings, resilient demand in key verticals (notably mobility and labor-related services), and a growing contribution from the "other products" portfolio. In addition, emerging opportunities in tourism digitization, data monetization, and platform-based services provide meaningful optionality, which remains largely underappreciated at this stage. From a financial standpoint, Elm's balance sheet remains healthy despite the post-acquisition increase in leverage, supported by strong cash generation and robust liquidity. With deleveraging expected to begin from 2026 and cash flows improving, the company is well-positioned to enhance shareholder returns while retaining flexibility for selective M&As across new verticals. We upgrade our stance to "Overweight" (from Neutral), as we believe current valuations do not fully capture the company's medium-term growth potential, particularly from new revenue streams and gradual realization of integration synergies. Further upside would be driven by stronger execution on new initiatives and sustained growth momentum beyond the core portfolio.

### Valuation Methodology

	TP (SAR)	Weight	Weighted TP
DCF	701.6	50%	350.8
P/E (25x, 2026)	733.3	50%	366.6
<b>Blended TP</b>			<b>717.5</b>
<b>Upside/(Downside) potential</b>			<b>21.5%</b>

Source: Aljazeera Capital research, prices as of 4<sup>th</sup> of May, 2026

#### Upside risks to valuation:

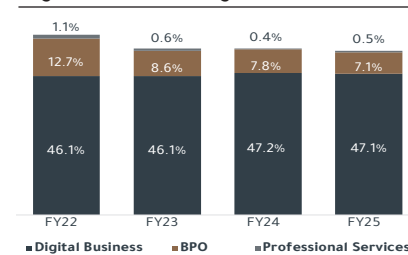
- Quicker enhancement of Thiqah to reach Elm level profitability profile
- Quicker recovery in government demand on project segment
- More significant offerings from the Digital Business segment

Source: Aljazeera capital Research

#### Downside risks to valuation:

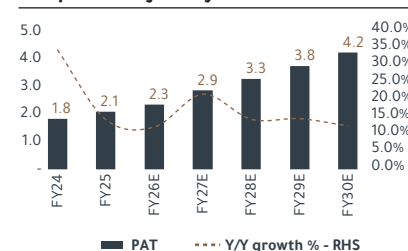
- Longer recovery in government demand on projects
- Further adjustment in Thiqah prior year revenues and Costs.
- Slower than anticipated integration of Thiqah's operations into Elm's core operations

### Segmental Gross margins



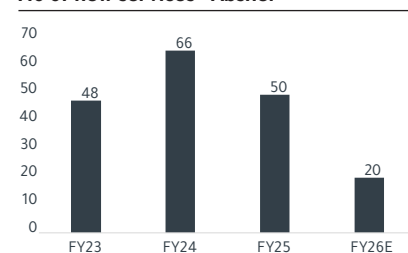
Source: Company, Aljazeera Capital Research

### Net profit Trajectory



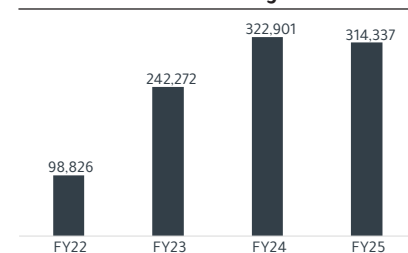
Source: Company, Aljazeera Capital Research

### No of new services - Absher



Source: Company, Aljazeera Capital Research

### Makkah Route Initiative Pilgrims



Source: Company, Aljazeera Capital Research

## Key Financial Data

Amount in SARmn, unless otherwise specified	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
<b>Income statement</b>							
Revenues	7,407	9,465	11,049	12,672	14,066	15,602	17,160
Y/Y	25.6%	27.8%	16.7%	14.7%	11.0%	10.9%	10.0%
Cost of Sales	(4,381)	(5,787)	(6,670)	(7,617)	(8,420)	(9,309)	(10,219)
<b>Gross profit</b>	<b>3,026</b>	<b>3,678</b>	<b>4,379</b>	<b>5,056</b>	<b>5,646</b>	<b>6,293</b>	<b>6,941</b>
Y/Y	29.8%	21.5%	19.1%	15.4%	11.7%	11.5%	10.3%
<b>GPM</b>	<b>40.9%</b>	<b>38.9%</b>	<b>39.6%</b>	<b>39.9%</b>	<b>40.1%</b>	<b>40.3%</b>	<b>40.4%</b>
Selling and distribution expenses	(336)	(403)	(451)	(509)	(555)	(610)	(661)
Research & Development	(76)	(105)	(137)	(152)	(168)	(187)	(206)
Expected credit losses	(143)	(106)	(136)	(142)	(148)	(149)	(159)
Depreciation and amortization	(199)	(254)	(289)	(278)	(268)	(260)	(256)
General and administrative expenses	(551)	(749)	(919)	(1,029)	(1,127)	(1,226)	(1,327)
Impairment of non-current assets	(21)	(30)	(32)	(36)	(36)	(40)	(44)
<b>Operating profit</b>	<b>1,700</b>	<b>2,030</b>	<b>2,415</b>	<b>2,910</b>	<b>3,344</b>	<b>3,822</b>	<b>4,289</b>
Y/Y	25.9%	19.4%	19.0%	20.5%	14.9%	14.3%	12.2%
<b>EBIT Margin</b>	<b>23.0%</b>	<b>21.4%</b>	<b>21.9%</b>	<b>23.0%</b>	<b>23.8%</b>	<b>24.5%</b>	<b>25.0%</b>
Finance cost	(28)	(106)	(126)	(90)	(91)	(107)	(125)
Zakat	(127)	(46)	(190)	(232)	(265)	(304)	(343)
<b>Net income</b>	<b>1,827</b>	<b>2,090</b>	<b>2,347</b>	<b>2,858</b>	<b>3,273</b>	<b>3,754</b>	<b>4,226</b>
Y/Y	34.7%	14.4%	12.3%	21.8%	14.5%	14.7%	12.6%
<b>EPS (SAR)</b>	<b>22.84</b>	<b>26.13</b>	<b>29.33</b>	<b>35.73</b>	<b>40.91</b>	<b>46.92</b>	<b>52.82</b>
<b>DPS (SAR)</b>	<b>7.5</b>	<b>9.0</b>	<b>13.3</b>	<b>16.0</b>	<b>18.5</b>	<b>21.0</b>	<b>23.8</b>
<b>Balance sheet</b>							
<b>Assets</b>							
Cash and cash equivalent	2,251	1,836	1,920	2,619	4,044	5,976	8,064
Murabaha	1,426	2,306	3,005	3,731	4,470	5,090	5,677
Accounts receivable	2,895	3,607	4,118	4,582	5,086	5,642	6,205
Other current assets	2,880	4,359	5,197	5,946	6,760	7,445	8,240
Property & Equipment	518	689	633	584	532	484	437
Intangible assets	71	251	215	177	144	112	79
<b>Total Assets</b>	<b>9,554</b>	<b>11,887</b>	<b>13,273</b>	<b>15,120</b>	<b>17,807</b>	<b>20,941</b>	<b>24,361</b>
<b>Liabilities &amp; owners' equity</b>							
Long Term Borrowings - Current portion	-	453	-	-	-	-	-
Total current liabilities	3,393	5,606	5,542	6,117	6,720	7,392	8,085
Long Term Borrowings	-	1,520	1,593	1,213	1,463	1,828	2,238
Total non-current liabilities	868	2,660	2,823	2,517	2,808	3,196	3,598
Paid-up capital	800	800	800	800	800	800	800
Retained earnings	4,726	3,062	4,349	5,927	7,720	9,794	12,120
Total owners' equity	5,293	3,621	4,908	6,486	8,279	10,353	12,679
<b>Total equity &amp; liabilities</b>	<b>9,554</b>	<b>11,887</b>	<b>13,273</b>	<b>15,120</b>	<b>17,807</b>	<b>20,941</b>	<b>24,361</b>
<b>Cashflow statement</b>							
Operating activities	1,659	2,663	2,527	3,342	3,680	4,203	4,546
Investing activities	904	(4,232)	(882)	(883)	(903)	(799)	(777)
Financing activities	(697)	1,155	(1,562)	(1,760)	(1,352)	(1,472)	(1,681)
Change in cash	1,866	(414)	84	699	1,425	1,932	2,088
<b>Ending cash balance</b>	<b>2,251</b>	<b>1,837</b>	<b>1,920</b>	<b>2,619</b>	<b>4,044</b>	<b>5,976</b>	<b>8,064</b>
<b>Key fundamental ratios</b>							
<b>Liquidity ratios</b>							
Current ratio (x)	2.4	1.7	2.0	2.1	2.4	2.6	2.8
<b>Profitability ratios</b>							
GP Margin	40.9%	38.9%	39.6%	39.9%	40.1%	40.3%	40.4%
Operating Margins	23.0%	21.4%	21.9%	23.0%	23.8%	24.5%	25.0%
EBITDA Margin	25.6%	24.1%	24.5%	25.2%	25.7%	26.2%	26.5%
Net Margins	24.7%	22.1%	21.2%	22.6%	23.3%	24.1%	24.6%
Return on assets	19.1%	17.6%	17.7%	18.9%	18.4%	17.9%	17.3%
Return on equity	34.5%	57.7%	47.8%	44.1%	39.5%	36.3%	33.3%
<b>Market/valuation ratios</b>							
EV/sales (x)	11.7	6.3	4.2	3.6	3.2	2.8	2.4
EV/EBITDA (x)	45.8	26.3	17.3	14.4	12.4	10.5	9.1
EPS (SAR)	22.8	26.1	29.3	35.7	40.9	46.9	52.8
BVPS (SAR)	66.2	45.3	61.3	81.1	103.5	129.4	158.5
Market price (SAR)*	1,115.0	748.0	590.0	590.0	590.0	590.0	590.0
Market-Cap (SAR mn)	89,200	59,840	47,200	47,200	47,200	47,200	47,200
Dividend yield	0.7%	1.2%	2.2%	2.7%	3.1%	3.6%	4.0%
P/E ratio (x)	48.8	28.6	20.1	16.5	14.4	12.6	11.2
P/BV ratio (x)	16.9	16.5	9.6	7.3	5.7	4.6	3.7

Source: Company reports, Aljazeera capital Research, prices as of 2<sup>nd</sup> April 2026

Head of Sell-Side Research - Director

**Jassim Al-Jubran**

+966 11 2256248

j.aljabran@aljazaracapital.com.sa

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1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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